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SUBJECT **Methods of Expropriation of Small Business**

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SUPPLEMENT TO REPORT NO.

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1. Following the campaign for the expropriation of big business, the German Economic Commission and the SED have now been asked to direct their attention in 1949 to smaller enterprises, namely to artisans employing five or more persons, and to commercial enterprises (particularly retail shops), employing three or more persons.
2. Ever since the currency reform, German business men have been permitted to keep on hand only such cash amounts as were required for meeting their obligations during the next four to six days. They were ordered to deposit all money in excess of these needs in accredited banking institutions. However, these instructions were only partly followed, and this fact is now the opening wedge for the SED, which, through the "Volkskontrollen", started in December 1948 to have spot checks made in smaller enterprises. Any enterprise found to possess cash in excess of the amount needed during the next four to six days will be accused of economic sabotage, or of violation of the law against hoarding of money. These violations are punishable by a fine, which, however, is set so high that it cannot be paid out of the operating funds of a small enterprise. The violator will then be forced either to obtain a loan from a banking institution (where the concern comes under the supervision of the "Volksbank") or to offer his plant for socialization.
3. The price control and the checking of stocks for the same purpose, and likewise involve a high fine where offenses are committed. However, only in rare cases can it be proved that prices are too high or that goods have been hoarded.
4. Small enterprises and shops will be advised to submit a request in accordance with a recommendation will be made regardless of whether or not they are members of the SED. This procedure was tentatively adopted during December 1948; however, it encountered strong opposition from small business owners who fear that, should the political situation change, they might be accused of having supported the SED régime and suffer reprisals. They argue, on the other hand,

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5. Small enterprises are to be absorbed whenever possible by the steadily growing cooperatives of the Soviet zone. This applies not only to small retail shops, which are to serve later as distributors, but also to small workshops and concerns making food, textiles, and other consumers' goods. According to the latest instructions of the German Economic Commission, all rationed goods, except in a few isolated cases, must be delivered by producers directly to cooperatives.

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